

The International Investment Position of the United States: Developments in 1980

THE net international investment position of the United States increased a record \$27.7 billion in 1980, compared with an increase of \$17.6 billion in 1979 (table 1). U.S. assets abroad increased an extraordinary \$94.7 billion, compared with a \$61.1 billion increase; foreign assets in the United States increased \$67.0 billion, compared with a \$43.5 billion increase.

The major factors contributing to the increase in U.S. assets abroad were an \$84.8 billion capital outflow, largely reflecting a step-up in U.S. bank lending, and an increase in U.S. official foreign currency holdings. These outflows were augmented by \$9.9 billion in valuation and other adjustments, mainly due to a change in treatment of certain trade payables of a U.S. direct investor's overseas operations. The increase in foreign assets in the United States was largely accounted for by recorded capital inflows of \$50.3 billion, reflecting a shift to inflows for foreign official assets (mainly from Organization of Petroleum Exporting Country (OPEC) members) and a slowdown in the increase of U.S. bank liabilities to foreigners. These inflows were augmented by \$16.8 billion in valuation and other adjustments, mainly reflecting a 24-percent rise in U.S. stock prices and the previously mentioned change in treatment of certain trade payables, that increased liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.

The net U.S. international investment position was \$122.7 billion at year-end 1980. U.S. assets abroad were \$603.6 billion, up 19 percent, and foreign assets in the United States were \$480.9 billion, up 16 percent.

Relationship of capital flows to the current account

In terms of accounting entries, the net capital flow component of the U.S. in-

ternational investment position is the mirror image of the balance on current account in U.S. international transactions, plus the allocation of special drawing rights (SDR's) by the International Monetary Fund (IMF), and an entry for the statistical discrepancy in the accounts. However, because capital flows and current account transactions are simultaneously determined and interact through exchange rates and other factors, there is no simple cause and effect relationship between them.

The U.S. current-account surplus was \$3.7 billion in 1980, compared with \$1.4 billion in 1979. Despite the slowdown in economic activity abroad, exports remained relatively strong, spurred by earlier depreciation of the dollar against most major currencies and continued strength in agricultural exports. Sluggishness in the U.S. economy in the first half of the year limited increases in both petroleum and nonpetroleum imports. In the services accounts, net receipts of income on direct and portfolio investment combined were about unchanged, after being a source of substantial growth for the past few years.

Reflecting the difference between recorded capital outflows of \$84.8 billion and inflows of \$50.3 billion, net recorded capital outflows were \$34.5 billion compared with \$23.7 billion in 1979. Alternatively, net capital outflows equaled the sum of the \$3.7 billion current-account surplus, the \$1.2 billion SDR allocation, and the \$29.6 billion statistical discrepancy (table 1).

For the second consecutive year, the statistical discrepancy indicated large unrecorded inflows—\$29.6 billion in 1980 following \$21.1 billion in 1979. To the extent that these unrecorded inflows were in the capital accounts, the increase in the net investment position in

both years would have been less. The large unrecorded inflows in 1979 and 1980 were probably boosted by recurrent international political and military tensions. (In addition, it should be noted that the Interagency Committee on Balance of Payments Statistics established a work group in September 1980 to investigate possible sources of the large statistical discrepancy in the past two years. The initial focus of the group was on financial market developments, where some evidence suggested that U.S. nonfinancial firms' borrowings from banks abroad were underreported or unreported by the firms or the banks. As a result of the investigation, modification and clarification of reporting instructions will be implemented. The group will next review reporting by nonbank financial institutions.)

Changes in U.S. Assets Abroad

Bank claims

Claims on foreigners reported by U.S. banks reached \$204.0 billion at the end of 1980, 30 percent higher than in 1979. The record \$47.0 billion increase accounted for almost half the increase in the value of total U.S. assets abroad (table 2). Much of the rise was in banks' own claims on their own foreign offices. U.S.-owned banks, in particular, became large net lenders to their foreign offices in 1980, a marked shift from their small net borrowed position in 1979 (table 2a).

Interest rate developments and official monetary measures were important factors influencing transactions between U.S.-owned banks and their foreign offices. When an 8-percent marginal reserve requirement was imposed in October 1979 on increases in managed liabilities, including Eurodollar borrowings,

U.S. banks shifted some loans to their foreign offices to reduce the net deposit position to which the requirements were applied. This lending accelerated when additional marginal reserve requirements and domestic credit controls were imposed in March 1980 before being removed in July.

Another factor encouraging U.S. bank lending to foreigners was the more rapid decline of Eurodollar interest rates than the U.S. prime (and related borrowing) rates from their peaks in early April. U.S. banks increasingly quoted and booked their loans at London interbank offer (LIBOR) rates with their foreign offices and supplied funds to these same offices to make the loans. Some of the funds were, in turn, lent to U.S. nonbank residents, especially in the second quarter, because it was cheaper for U.S. corporations to borrow from foreign rather than domestic banking offices.

In response to these economic developments, claims of U.S.-owned banks on their foreign offices increased \$12.8 billion, compared with a \$3.5 billion decrease in 1979. By contrast, claims of foreign-owned banks in the United States on their offices abroad increased only \$4.9 billion, compared with a \$9.3 billion increase in 1979. Claims on foreigners, other than those on bank's foreign offices, rose strongly.

The geographic distribution of outstanding bank claims at the end of 1980 reflected the growth in lending by U.S.-owned banks to Eurodollar centers in the Caribbean, raising the latter's share of total U.S. lending to foreigners to 23 percent, compared with 19 percent in 1979. The share of claims on Western Europe declined to 23 percent from 26 percent. The Canadian and Japanese shares were unchanged at 5 and 11 percent, respectively. Claims on Latin America remained at 27 percent of the total.

Worldwide, banks in the United States and U.S. bank branches overseas accounted for a large share of international bank credit in 1980. Either directly, or indirectly through interbank lending, they supplied an estimated 25 percent of gross external lending, compared with 17 percent in 1979.

Table 1.—Summary of Changes in the Net International Investment Position of the United States¹

(Millions of dollars)					
	1976	1977	1978	1979	1980
1. Change in net international investment position.....	0,480	-12,478	0,167	17,868	27,587
2. U.S. assets abroad.....	53,000	31,051	08,738	01,062	04,702
3. U.S. official reserves.....	2,221	585	-009	308	7,800
4. U.S. Government assets, other than reserves.....	4,101	3,837	4,040	4,242	5,101
5. U.S. private assets.....	46,678	27,829	04,759	00,514	02,801
6. Foreign assets in the United States.....	42,371	44,420	02,571	03,487	07,045
7. Foreign official assets.....	17,284	20,535	30,080	-13,338	16,205
8. Other foreign assets.....	25,087	7,884	00,491	00,825	00,840
9. International transactions capital flows, net.....	14,781	-16,433	-2,078	23,093	44,515
10. U.S. assets abroad.....	51,900	24,785	51,070	02,530	04,776
11. Foreign assets in the United States.....	26,518	51,218	03,748	38,040	50,261
12. Valuation and other adjustments, net.....	-5,282	1,655	8,838	-6,123	-5,967
13. U.S. assets abroad.....	701	-2,834	7,058	-1,579	0,020
14. Foreign assets in the United States.....	6,053	-0,789	-1,177	4,540	10,780
15. Net international investment position of the United States at end of period.....	53,706	71,320	77,477	16,043	122,007
Memoranda:					
International transactions capital flows, net (line 9 above) equals:					
16. Balance on current account (deficit (-)).....	4,384	-14,110	-14,075	1,414	3,728
17. Allocations of special drawing rights.....				1,139	1,152
18. Statistical discrepancy (unrecorded outflows (-)).....	10,307	-2,328	11,398	21,140	20,640

1. Data for 1970-79 are revised; data for 1980 are preliminary.

At yearend, U.S. bank assets abroad accounted for 34 percent of total U.S. assets abroad, up from 31 percent in 1979 and 29 percent in 1978 (table 3).

Foreign securities

Holdings of foreign securities by U.S. residents increased \$5.5 billion in 1980 to \$62.1 billion at yearend, compared with an increase of \$3.2 billion in 1979. Holdings of foreign stocks increased substantially; bond holdings increased moderately.

U.S. residents' holdings of foreign stocks increased \$4.1 billion. Record net purchases of \$2.3 billion and price appreciation in most major foreign markets accounted for the increase. U.S.-held Japanese stocks increased \$1.8 billion, \$1.0 billion of which reflected a 15-percent appreciation of the Japanese yen against the dollar and a 9-percent rise of the Tokyo stock exchange index. The Japanese Government also removed some restrictions on capital inflows. U.S.-held Canadian stocks increased \$2.3 billion, due both to an 18-percent rise in share prices and a \$0.8 billion increase in purchases, primarily in the first half of the year. The rise in share prices reflected Canada's position in energy and raw materials. Purchases of Canadian equities dropped sharply after October when U.S. investors re-

acted adversely to the Canadian Government's National Energy Program. The rise in stock values was partly offset by a 2-percent depreciation of the Canadian dollar against the U.S. dollar. Purchases of Western European stocks, primarily of French and Dutch equities, increased \$0.5 billion after no net purchases in 1979. Price appreciation added another \$0.4 billion, but was partly offset by exchange rate losses. At yearend, the value of foreign stocks held was \$18.0 billion, up 28 percent from 1979.

U.S. residents' holdings of foreign bonds increased \$1.4 billion. New issues were \$3.3 billion, the lowest level since 1974, when the Interest Equalization Tax was removed from purchases of certain foreign securities by U.S. residents. High interest rates and rapid inflation in the United States limited all but the highest rated foreign borrowers from tapping the U.S. market. New issues of Canadian bonds were \$1.8 billion, unchanged from 1979. New issues from Western Europe, at \$1.0 billion, were down \$1.0 billion. Placements by developing countries, especially Israel, increased \$0.4 billion. Redemptions of foreign bonds, principally of World Bank issues, were stepped-up to \$2.5 billion, while net trading in outstanding bonds remained small.

At yearend 1980, U.S. holdings of foreign securities accounted for 10 percent of total U.S. assets abroad, down from 11 percent in 1979.

U.S. direct investment abroad and other private assets

U.S. direct investment abroad increased 14 percent, or \$26.7 billion, to

\$213.5 billion, following a similar percentage increase in 1979.¹ The rise consisted of \$18.5 billion in capital outflows, down \$6.4 billion from the previous year, and an unusual \$8.9 billion valuation adjustment. The latter reflected a change in the nature and status

1. For details, see the article "U.S. Direct Investment Abroad in 1980," in this issue.

of the operations of a Middle East branch of a U.S.-incorporated petroleum company that resulted in a change in accounting for the branch as reported to BEA by the company. As a result, the accounts payable of the branch were removed from the direct investment account and transferred to the account of U.S. nonbanking concerns as com-

Table 2.—Changes in the Net International Investment Position of the United States Reconciled with International Transactions Capital Flows

(Millions of dollars)

Lines in table 3	Changes in net international investment position of the United States and U.S. assets abroad	1979*	1980*	Lines in table 3	Foreign assets in the United States	1979*	1980*
	Item (decrease (-))				Item (decrease (-))		
1	Changes in net international investment position of the United States	17,545	27,557	24	Foreign assets in the United States	48,487	67,945
2	International transactions capital flows	23,493	34,515	25	Foreign official assets in the United States	38,040	52,581
3	U.S. assets abroad	51,482	94,702	26	U.S. Government securities	-11,338	16,243
4	U.S. official reserve assets	82,439	84,770	27	U.S. Treasury securities	-22,243	9,553
5	U.S. private assets	-31,570	9,930	28	Other U.S. Government securities	-22,450	8,833
6	Gold	246	7,800	29	Other U.S. Government liabilities	-43	-120
7	Capital flows	1,133	8,183	30	Other U.S. Government liabilities	372	1,001
8	Other changes	-287	-354	31	U.S. liabilities reported by U.S. banks, not included elsewhere	418	2,157
9	Special drawing rights	-499	-13	32	Other foreign official assets	-91	-236
10	Capital flows	1,138	16	33	Other foreign official assets	-133	636
11	Exchange rate adjustments	30	-130	34	Other foreign official assets	-128	636
12	Reserve position in the International Monetary Fund	206	1,500	35	U.S. securities other than U.S. Treasury securities	7,213	-159
13	Capital flows	189	1,507	36	Corporate and other bonds	7,213	-159
14	Exchange rate adjustments	17	-98	37-39	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, long- and short-term	2,085	11,005
15	Foreign currencies	-607	6,327	40	U.S. long-term liabilities reported by U.S. banks	2,085	8,103
16	Capital flows	-267	6,472	41	U.S. Treasury securities and other short-term liabilities reported by U.S. banks	37,707	12,083
17	Exchange rate adjustments	-310	-144	42	U.S. Treasury securities	5,160	1,040
18	U.S. Government securities, other than official reserve assets	4,242	5,101	43	U.S. short-term liabilities reported by U.S. banks, not included elsewhere	32,547	10,743
19	Capital flows	3,707	5,105				
20	Other changes	475	-94				
21	U.S. loans and other long-term assets, less repayments	4,235	5,289				
22	Capital flows	3,783	5,445				
23	Exchange rate adjustments	-17	-97				
24	Changes in coverage	801	8				
25	Valuation adjustments	-12	-27				
26	U.S. foreign currency holdings and U.S. short-term assets	-13	-258				
27	Capital flows	-10	-280				
28	Exchange rate adjustments	7	-17				
29	Statistical discrepancies and other adjustments	-4	39				
30	U.S. private assets	55,514	81,491				
31	Capital flows	57,739	71,156				
32	Other changes	-1,227	10,347				
33	Direct investments abroad	24,082	26,709				
34	Capital flows	23,528	18,540				
35	Equity and intercompany accounts	4,994	1,549				
36	Reinvested earnings of incorporated affiliates	18,365	10,589				
37	Valuation and other adjustments	84	9,108				
38	Foreign securities	3,242	4,402				
39	Foreign bonds	-326	1,380				
40	Capital flows	3,782	1,844				
41	Price changes	-3,029	226				
42	Exchange rate adjustments	-98	16				
43	Foreign corporate stocks	3,667	4,402				
44	Capital flows	840	2,503				
45	Price changes	2,862	2,168				
46	Exchange rate adjustments	354	-328				
47-49	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns, long- and short-term	3,026	2,633				
50	Capital flows	3,026	2,633				
51-53	U.S. claims reported by U.S. banks, not included elsewhere, long- and short-term	28,212	40,947				
54	Capital flows	28,212	40,947				

* Preliminary. * Revised. * Less than \$500,000 (\$).
1. Reflects sales to the public from U.S. Treasury gold stocks; these demonetizations are not included in the international transactions presentation.

2. Represents gains or losses on foreign currency denominated assets and liabilities due to their revaluation at current exchange rates.
3. Maturity breakdown has been discontinued. Lines 40 and 43 are combined.
4. See table 3, footnote 2.

mercial liabilities to unaffiliated foreigners (line 38, table 3); this transfer largely accounts for the adjustment in that line.

The lower level of direct investment capital outflows in 1980 was in part due to the final payment by a Middle East government to the U.S. petroleum company referred to above for purchase of the company facilities in the host country, and in part to increased payables in the form of U.S. parent firms' borrowings from finance affiliates in the Netherlands Antilles. Due to their need for funds, U.S. parents drew over \$2.4 billion from these foreign affiliates who, in turn, acquired funds primarily from new issues in the Eurobond market. Re-invested earnings were also lower, especially in industrial countries. At year-end, the book value of U.S. direct investment abroad accounted for about 35 percent of total U.S. assets abroad, down from 37 percent in 1979.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$2.7 billion. The rise consisted of a \$0.9 billion increase in financial claims, largely on Caribbean banking centers, and a \$1.8 billion increase in trade receivables. Combined, these claims accounted for 6 percent of total U.S. assets abroad at yearend.

U.S. official reserve assets and other U.S. Government assets

U.S. official reserve assets increased a record \$7.8 billion, largely due to exchange market intervention purchases of German marks and, to a much lesser extent, of Japanese yen. The negative valuation (exchange rate) adjustment reflected the 13 percent appreciation of the dollar against the mark. Included in the net \$6.3 billion increase in foreign currency holdings were the \$1.2 billion in proceeds from the January sale of a Treasury mark-denominated note issued to German residents.

An exchange of special drawing rights (SDR's) for an increase in the U.S. reserve position with the International Monetary Fund (IMF) was associated with an increase in IMF quotas, 25 percent of which was to be subscribed in SDR holdings of member countries. Earlier in the year, there had

Table 2a.—U.S. Bank-Reported Claims and Liabilities¹

(Billions of dollars outstanding at yearend)

	1978		1979		1980	
	Claims	Liabilities	Claims	Liabilities	Claims	Liabilities
Total bank reported (table 3, lines 22, 23 and 43).....	122.8	201.6	137.0	143.8	204.9	151.5
U.S. bank own accounts payable in dollars.....	115.5	75.7	133.9	117.2	172.7	124.8
U.S.-owned banks with foreigners:						
with own foreign offices.....	25.2	12.4	24.7	24.8	37.5	22.1
with unaffiliated banks.....	22.8	10.7	24.1	13.3	28.0	14.2
with others.....	78.2	30.9	22.1	12.4	20.9	15.5
Foreign-owned banks with foreigners:						
with own foreign offices.....	13.4	24.9	22.7	26.3	27.6	48.5
with unaffiliated banks.....	17.5	4.6	15.8	6.2	21.3	7.6
with others.....	14.3	3.0	23.5	3.2	30.6	4.4
U.S. bank customer accounts payable in dollars.....	11.2	6.6	20.1	9.5	26.1	10.4
U.S. bank reported, payable in foreign currency.....	4.0	3.4	3.0	1.9	6.2	3.7

1. Liabilities exclude those to foreign official agencies, and exclude foreign holdings of short-term U.S. Treasury obligations.

been an allocation of SDR's by the IMF. At yearend, U.S. official reserve assets were \$26.8 billion, accounting for 4 percent of U.S. assets abroad, slightly changed from 1979.

U.S. Government outflows for other than reserve assets were \$5.1 billion and reflected increased Export-Import Bank lending and stepped-up long-term credits to finance military sales contracts, especially to the Middle East. At \$68.5 billion, they comprised 11 percent of total U.S. assets abroad, unchanged from 1979.

Changes in Foreign Assets in the United States

Foreign official assets in the United States

Foreign official assets in the United States increased \$16.2 billion in 1980, primarily reflecting an increase in OPEC holdings. Foreign official assets had decreased \$13.3 billion in 1979, due to large intervention sales of dollars in exchange markets by several major industrial countries.

Official dollar assets of OPEC members increased \$12.7 billion, more than double the 1979 increase, reflecting the 1979-80 surge in petroleum prices. Revenues from the sale of higher priced petroleum resulted in an OPEC current-account surplus of nearly \$110 billion, about 11 percent of which was placed in the United States, up from last year's 8 percent. The increase was in U.S. Treasury and agency bonds, and corporate stocks and bonds. There was a slight reduction in OPEC deposits in U.S. banks.

Official dollar assets of industrial countries increased \$0.9 billion; this net figure reflected mostly offsetting transactions among several countries. There were large decreases in dollar holdings of Germany, Italy, and Switzerland. Decreases for the first two countries were related to increased current-account deficits; the decrease in Swiss holdings mainly reflected swap dealings with domestic (Swiss) banks. Official dollar holdings of the Netherlands, France, and Belgium in the United States increased. Japan's dollar holdings increased sharply on an improved current-account balance, removal of some restrictions on capital inflows, and an appreciating yen. U.K. dollar holdings also increased substantially, reflecting its increased petroleum revenues and current-account surplus.

Official dollar assets of non-petroleum developing countries increased \$1.8 billion.

Other foreign assets

Other foreign assets in the United States increased \$50.8 billion in 1980, to \$305.2 billion, compared with a \$56.8 billion increase in 1979. Capital inflows were lower, due to a reduction in U.S. bank borrowing from foreigners. Inflows and valuation adjustments were significantly larger for both foreign holdings of U.S. corporate stocks and nonbank liabilities.

The pronounced slowdown in the growth of U.S. bank liabilities to foreigners was attributable to a shift in relative costs of funds. The increase in

Table 3.—International Investment Position of the United States at Yearend¹

[Millions of dollars]

Line	Type of investment	Total					Western Europe		Canada		Japan		Latin American Republics and other Western Hemisphere		Other foreign countries		International organizations and unallocated ²	
		1976	1977	1978	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980
1	Net international investment position of the United States.....	85,758	71,329	77,477	95,843	122,697	-87,228	-88,243	60,436	81,109	119	843	65,499	83,488	18,439	4,784	19,799	21,596
2	U.S. assets abroad.....	247,473	279,124	247,862	590,915	663,614	157,683	186,513	26,785	36,385	29,813	24,378	129,559	161,843	50,673	48,484	26,912	27,911
3	U.S. official reserve assets.....	18,747	18,312	18,080	18,966	20,766	2,320	7,002	(*)	(*)	1,478	2,182					15,149	16,992
4	Gold.....	11,578	11,719	11,071	11,172	11,168											11,172	11,150
5	Special drawing rights.....	2,365	2,629	1,588	2,724	2,618											2,724	2,830
6	Reserve position in the International Monetary Fund.....	4,434	4,046	1,047	1,252	2,852											1,252	2,852
7	Foreign currencies.....	320	18	4,374	8,807	10,184	2,329	7,902	(*)	(*)	1,478	2,182						
8	U.S. Government assets, other than official reserve assets.....	40,008	40,805	64,200	55,447	63,648	10,079	10,769	262	343	806	585	11,312	11,819	21,839	26,293	4,390	4,875
9	U.S. loans and other long-term assets.....	44,138	47,709	62,273	60,528	61,897	9,894	10,491	248	344	683	554	11,228	11,780	20,141	22,947	4,392	4,871
10	Repayable in dollars.....	41,320	45,170	49,828	54,237	59,798	9,870	10,061	249	345	683	554	11,228	11,780	20,141	22,947	4,392	4,871
11	Other.....	2,818	2,539	2,445	2,291	2,099	104	430					825	483	1,229	1,160		
12	U.S. foreign currency holdings and U.S. short-term assets.....	1,870	1,796	1,892	1,919	1,081	185	298	-1	2	1	1	32	88	1,093	1,306	4	4
13	U.S. private assets.....	282,418	310,247	374,807	433,513	513,310	145,255	187,009	86,513	95,842	25,850	32,691	117,877	158,539	45,840	61,291	7,397	8,414
14	Direct investments abroad.....	120,879	145,090	192,727	180,769	213,469	83,023	95,588	40,249	44,048	8,208	8,274	36,854	38,276	24,054	24,892	1,557	1,791
15	Foreign securities.....	44,167	49,420	53,394	50,424	62,118	11,908	13,419	32,458	24,153	225	1,023	2,474	3,372	6,363	5,519	2,777	2,873
16	Bonds.....	34,704	39,320	42,148	41,823	43,212	9,856	7,776	22,940	24,273	225	78	2,045	2,892	6,370	5,535	2,777	2,873
17	Corporate stocks.....	9,453	10,110	11,256	14,803	18,906	4,052	5,643	11,788	8,279	2	952	229	380	113	194		
18	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	28,217	22,298	28,070	31,697	33,740	10,894	11,281	5,867	5,816	1,317	1,147	9,075	11,164	4,241	4,242		
19	Long-term.....	5,839	6,035															
20	Short-term.....	14,381	16,263	28,070	31,697	33,740	10,894	11,281	5,867	5,816	1,317	1,147	9,075	11,164	4,241	4,242		
21	U.S. claims reported by U.S. banks, not included elsewhere.....	91,135	92,582	130,816	157,029	203,876	38,920	46,677	5,185	9,229	18,180	24,229	70,872	97,208	28,149	25,528	53	40
22	Long-term.....	11,808	12,649	130,816	157,029	203,876	38,920	46,677	5,185	9,229	18,180	24,229	70,872	97,208	28,149	25,528	53	40
23	Short-term.....	80,237	79,933															
24	Foreign assets in the United States.....	261,378	287,894	370,378	413,872	480,917	234,891	241,058	28,338	34,518	27,396	34,844	61,291	72,426	64,243	64,736	7,122	6,366
25	Foreign official assets in the United States.....	104,289	148,793	172,862	180,814	178,717	37,373	83,130	2,444	1,747			6,368	6,740				
26	U.S. Government securities.....	72,572	105,898	128,511	105,940	118,164	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
27	U.S. Treasury securities.....	70,555	101,852	128,091	101,799	111,511	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
28	Other.....	2,017	4,294	4,420	4,592	6,653												
29	Other U.S. Government liabilities.....	8,786	10,189	12,544	12,411	13,047	2,023	2,691	192	300	1,906	3,290	188	160	7,148	7,547		
30	U.S. liabilities reported by U.S. banks not included elsewhere.....	17,291	18,004	22,227	24,140	20,281	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
31	Other foreign official assets.....	6,649	7,217	8,479	9,229	14,125												
32	Other foreign assets in the United States.....	150,187	167,011	197,516	233,058	302,200	187,518	187,928	24,296	33,640			57,023	66,085			7,122	6,366
33	Direct investments in the United States.....	80,770	24,506	42,471	64,482	65,483	37,403	48,467	7,154	9,830	3,468	4,219	5,481	6,782	981	1,388		
34	U.S. securities other than U.S. Treasury securities.....	64,813	61,224	53,534	58,558	74,009	50,827	61,812	9,741	12,680	1,328	1,280	3,718	4,924	2,248	3,018	703	703
35	Corporate and other bonds.....	11,094	11,484	11,467	10,380	9,632	7,682	6,909	1,208	1,198	471	292	245	370	518	614	238	240
36	Corporate stocks.....	42,040	39,779	42,067	48,277	64,474	23,296	44,706	8,636	11,482	857	388	3,474	4,404	1,730	2,502	465	518
37	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	12,061	13,425	14,888	16,864	28,682	5,171	10,433	1,367	1,540	1,311	1,288	2,805	4,319	2,429	11,069		
38	Long-term.....	6,887	8,817	14,888	16,864	28,682	5,171	10,433	1,367	1,540	1,311	1,288	2,805	4,319	2,429	11,069		
39	Short-term.....	7,124	5,118															
40	U.S. long-term liabilities reported by U.S. banks.....	1,112	1,485	(*)	(*)	(*)												
41	U.S. Treasury securities and other short-term liabilities reported by U.S. banks.....	50,381	68,291	88,829	124,296	137,070	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
42	U.S. Treasury securities.....	7,028	7,582	8,930	14,070	18,030												
43	U.S. short-term liabilities reported by U.S. banks, not included elsewhere.....	52,353	60,709	77,710	110,226	119,040												

1. Includes U.S. gold stock. * Less than \$500,000 (+).
 2. Data for 1976-79 are revised; data for 1980 are preliminary.
 3. Also includes paid-in capital subscription to international financial institutions and outstanding amounts of miscellaneous claims that have been settled through international agreements to be payable to the U.S. Government over periods in excess of 1 year. Excludes World War I debts that are not being serviced.
 4. Includes indebtedness that the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or services.
 5. For the most part, represents the estimated investment in shipping companies registered primarily in Honduras, Panama, and Liberia, and in U.S. affiliated multinational trading companies, finance and insurance companies, not designated by country.

6. U.S. holdings of Japanese shares may be underestimated. This is due in part to the re-ordering of security transactions by the country of transmitter rather than the country of issuer.
 7. Maturity breakdown is not available.
 8. Details not shown separately are included in totals in lines 25 and 32.
 9. Details not shown separately are included in line 34.
 10. Primarily includes U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.
 11. Maturity breakdown is not available; see line 43.
 12. Includes U.S. Treasury notes denominated in foreign currencies sold through foreign central banks to domestic residents in country of issue; these notes are subject to restricted transferability.

liabilities was \$10.7 billion, compared with \$32.6 billion in 1979. Following the imposition of the previously mentioned marginal reserve requirements on Eurodollar borrowings and a drop in domestic demand for funds, U.S. banks relied less on foreign source funds. U.S.-owned banks repaid \$2.8 billion to their foreign offices in 1980, utilizing lower cost domestic source funds to finance U.S. loan demand in the last half of the year. Foreign-owned banks in the United States also reduced their utilization of funds from foreign offices—such borrowing increased \$7.6 billion, compared with a \$14.0 billion increase in 1979. Foreign-owned banks accounted for \$46.5 billion, or about one-third, of total liabilities to private foreigners reported by U.S. banks. By area, the largest slowdown occurred with the United Kingdom and the Caribbean, chiefly with foreign offices of U.S.-owned banks. These centers accounted for only 14 percent of the 1980 increase in bank-reported liabilities, compared with more than 75 percent in 1979. In contrast, there was a large increase in interoffice liabilities of U.S.-based Canadian banks, which utilized lower cost funds from Canada. Bank-reported assets, at \$121.1 billion, accounted for 25 percent of total foreign assets at yearend, down from 27 percent in 1979.

Foreign holdings of U.S. Treasury securities, excluding official holdings, rose \$1.9 billion in 1980. The rise was largely accounted for by the \$1.2 billion placement of U.S. Treasury market-denominated notes with German residents in January. Among other foreign holdings of U.S. Treasury issues, there were increased purchases from Western Europe, partly offset by a reduction in holdings of the World Bank.

Record net foreign purchases of U.S. stocks, combined with rising stock prices, raised the value of equity holdings by \$16.2 billion. Private foreigners purchased \$4.2 billion in corporate stocks during the year. Combined with

a \$12.0 billion adjustment for price appreciation, the value of foreign holdings of U.S. corporate stocks jumped 94 percent to \$64.5 billion at yearend.

Combined holdings of the two most significant investors, the United Kingdom and Switzerland, which comprised two-thirds of all Western European holdings, increased 35 percent to \$44.7 billion by yearend. United Kingdom accounts increased 57 percent to \$13.5 billion at yearend. Appreciation of the pound against the dollar and the lifting of U.K. foreign exchange controls on portfolio investment in October 1979 allowed British residents and institutions to expand their foreign portfolios. Swiss holdings increased 26 percent to \$16.7 billion, almost entirely due to price appreciation. Also, there were larger net purchases by Germany and France. Canadian holdings increased substantially, and Japanese holdings moderately.

Net private foreign purchases of U.S. corporate and agency bonds were \$1.2 billion; an increase in purchases was more than offset by a \$1.9 billion negative adjustment for a decline in bond prices. U.S. corporations issued \$0.4 billion in Eurobonds directly, in addition to the \$2.2 billion issued through their finance affiliates incorporated in the Netherlands Antilles. (The latter issues are now included in the direct investment accounts. See Technical Note.) The increase in foreign purchases was facilitated by the use of convertible issues, particularly in energy related industries, and floating rate notes.

Combined foreign bonds and stock holdings, at \$74.0 billion, accounted for 15 percent of total foreign assets in the United States, up slightly from 1979.

Foreign direct investment in the United States increased 20 percent to \$65.5 billion at yearend, following a record 28-percent increase in 1979. By area, there was a 37-percent increase in inflows from Canada and a 16-percent increase from Western Europe. Equity capital inflows, at \$4.2 billion, continued

at last year's record pace. However, there was a shift to small net outflows on intercompany accounts from net inflows of \$3.2 billion in 1979. Reinvested earnings increased 67 percent, largely reflecting higher earnings.²

Liabilities to foreigners reported by U.S. nonbanking concerns increased \$11.7 billion to \$28.6 billion at yearend. About \$3.5 billion was in the form of Eurodollar borrowings, particularly in the fourth quarter. In addition, commercial liabilities increased \$1.6 billion. There was a \$6.2 billion positive adjustment, primarily due to the previously mentioned change in the reporting of certain trade payables.

Technical Note

Estimates for U.S. direct investment abroad and foreign portfolio holdings of U.S. securities have been revised to incorporate recently completed benchmark surveys by the Bureau of Economic Analysis and the Department of the Treasury. Changes affecting these accounts are discussed in detail in "U.S. International Transactions, First Quarter 1981," in the June 1981 Survey and "U.S. Direct Investment Abroad in 1980" in this issue.

For the investment position, there was little difference in the total value of foreign holdings based on the 1978 Treasury survey results for private and official U.S. corporate stocks, compared with the previous estimates of foreign stock holdings in the international investment position that had been based on a similar 1974 Treasury Survey. There was some reallocation of the geographic distribution of holdings.

The value of foreign bond holdings required significant adjustment to account for items not included in the Treasury survey. Eurobonds issued by U.S. corporations in bearer form were not included, but have been estimated by BEA and included in the international investment position. Eurobonds issued by Netherlands Antilles finance subsidiaries are no longer part of the portfolio capital estimates but are included in the U.S. direct investment abroad estimates (see Technical Note in June 1981 Survey.)

Foreign holdings of marketable U.S. Treasury bonds have been revalued at market prices beginning with the 1978 Treasury survey results.

2. For details, see the article "Foreign Direct Investment in the United States in 1980," in this issue.